

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-921

February 2, 1999

NORTHERN UTILITIES, INC.,
Request for Approval of
Affiliated Interest Transaction -
Sale of Assets to Granite State
Gas Transmission, Inc.

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We approve Northern Utilities, Inc.'s (Northern) sale of the Gosling Road Extension to Granite State Gas Transmission, Inc.

II. PROCEDURAL HISTORY

On November 17, 1998, Northern filed a Petition for Approval, if Required, of Sale of Property to its Affiliate, Granite State Gas Transmission, Inc. (Granite). The assets to be sold are located in New Hampshire. Northern filed the petition in case the transaction also falls within Maine's jurisdiction.

Advisory Staff issued data requests to Northern on December 18, 1998 to investigate the impact of the proposed transaction, if any, on Northern's Maine ratepayers and system operation. Northern provided responses on January 7, 1999.

Northern also provided copies of testimony and other filings, including maps and data responses, filed with the New Hampshire Public Service Commission (NH PSC) and the Federal Energy Regulatory Commission (FERC) on this matter. On February 1, 1999, Northern provided a copy of a stipulation executed by the NH PSC staff, scheduled for presentation at hearing before the NH Commission on February 4, 1999.

We deliberated this matter on February 1, 1999.

III. DESCRIPTION & ANALYSIS

Both Northern and Granite are wholly owned subsidiaries of Bay State Gas Company, a natural gas distributor in

Massachusetts. Northern comprises separate operating divisions serving Maine and New Hampshire regulated by the respective state agencies.

Northern proposes to sell to Granite, at net book value, a portion of its distribution system located in Newington, New Hampshire, referred to as the Gosling Road facilities. These facilities consist of 4,418 feet of distribution lateral pipeline (the Gosling Road lateral) and an additional 1,000 feet (approximate) depending on the location of the Portland Natural Gas Transmission System (PNGTS) meter. This transfer is proposed to connect Granite's main pipeline to the site of an approved interconnection with the PNGTS and Maritimes & Northeast Pipeline, L.L.C. (Maritimes) Joint Facilities interstate pipeline in Newington, New Hampshire.¹ Granite will receive deliveries for Northern from the Joint Facilities pipeline at this location.

These facilities have never been included in Northern's cost of service for its Maine operations and the only impact on Maine ratepayers will be through changes to Granite's rates as determined by FERC. Northern also states that "the Gosling Road Lateral will be used by Granite to take volumes from PNGTS into its system, for the benefit of Northern's Maine and New Hampshire customers." These benefits include increased pressure support and supply for the region.

A utility sale of assets to an affiliate is subject to approval under two provisions of Maine law. Title 35-A, section 707 requires Commission approval of any contract or arrangement between affiliates furnishing any real or personal property on finding that it is not adverse to the public interest. Second, 35-A M.R.S.A. §1101 requires Commission authorization for the sale of any property that is necessary or useful in the performance of its duties to the public. However, this applies to utility property owned and operated exclusively out-of-state only if the property is owned and operated with respect to the performance of the utility's duties to the public inside Maine. 35-A M.R.S.A. §1101(3).

It appears that the Northern's operation of these facilities does not directly serve Maine customers. However, the use of these facilities to receive deliveries from the Joint Facilities pipeline will benefit both New Hampshire and Maine by improving

¹ This interconnection location was approved by the Federal Energy Regulatory Commission (FERC) which issued a certificate of public convenience and necessity for the Joint Facilities. Any change in location would require FERC approval.

system pressures in the Newington, New Hampshire and southern Maine region. This increased operational pressure may make it possible to use smaller quantities of more costly liquified natural gas (LNG) and propane in Lewiston and Portland, decreasing the winter cost of gas for the Maine division.

When Granite seeks to change its rates before FERC, these facilities will increase its rate base by approximately 2% and, once allocated between New Hampshire and Maine divisions, will result in slightly higher rates paid by Maine ratepayers. The rate impact will be relatively small (a less than 1% increase in transportation charges paid to Granite), and could be justified by improved pressure to the southern Maine region along with possible winter cost of gas reductions. Moreover, given Granite's other options to achieve an interconnection with the Joint Facilities, the transfer appears to be the best way of minimizing rate effects on Maine consumers.

Northern considered, but rejected, the option of retaining ownership of the Gosling Road Lateral, operating the segment itself as an interstate pipeline facility. This option would have required Northern to apply to FERC for interstate pipeline operator status and to make annual filings as required by FERC. Northern opted to transfer the lateral to Granite which is already established before FERC as an interstate pipeline operator.

The transfer of the Gosling Road Lateral and its interconnection to the Joint Facilities benefits Granite's system as a whole, including southern Maine. Consequently, the facilities are involved in the performance of Northern's duties to the public of this state. In addition, the transfer between affiliates will impact Maine rates, albeit to a relatively small degree.

IV. CONCLUSION

Given the *de minimis* impact that this will have on Maine rates and the likely offsetting benefits, we find that the transfer is not adverse to the public interest and approve it pursuant to both 35-A M.R.S.A. §§707 and 1101.

Dated at Augusta, Maine this 2nd day of February, 1999.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of adjudicatory proceedings are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 6(N) of the Commission's Rules of Practice and Procedure (65-407 C.M.R.11) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which consideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.